

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
100 USDA, Suite 102
Stillwater, Oklahoma 74074-2653

OK Notice FLP-418

For: County Offices

2-FLP

Gold Bank
Tax ID # 73-0138540
Preferred Lender Program Status

Approved by: State Executive Director



1 Overview

A Background

2-FLP governs the processing and servicing of guaranteed loans. The Preferred Lender Program (PLP) allows lenders to originate and service guaranteed loans as they do their non-guaranteed loans.

B Purpose

The purpose of this notice is to:

- Advise County Offices that the Gold Bank Credit Management System (CMS), has been updated and revised and approved by the Deputy Administrator Farm Loan Programs.
- Provide guidance and direction to staff to ensure continuous service to the Lender.

C Contact

Direct any questions concerning this notice to Patty Wanger at (405) 742-1052 in the Oklahoma State Office.

D Filing Instructions

This notice should be filed with the FLP series Notices.

Disposal Date	Distribution
May 25, 2004	Farm Loan Program Teams, County Offices, DD's, COR's

2 Action

A County Office Action

Attached is a copy of the revised Gold Bank Credit Management System (CMS). This replaces the CMS that is attached to the bank's master May 25, 1999, Lender's Agreement (**maintain and do not destroy**) on file.

The PLP status remains in effect for the same 5-year period, May 25, 1999, to May 25, 2004.

PLP lenders will use their own CMS for originating and servicing FLP-guaranteed loans. Any action not addressed in the CMS will then be in accordance with 2-FLP, as a CLP lender.

The County Office shall develop and maintain an operational file on each lender. This file will contain the information outlined in 2-FLP Par. 48 B, Operational File.

B Loan Making

Only Gold Bank employees listed in the CMS assigned to the Guaranteed FLP PLP Credit Team can submit guaranteed loan applications. All PLP guaranteed loan applications should be filed with the Farm Loan Manager servicing the county which has been designated as the centralized PLP application-processing county.

Under Par. 83 B, PLP applications must be approved or rejected and the lender also notified of the decision within 14 calendar days of the complete application.

C Loan Servicing

All PLP guaranteed loans, once closed, shall be sent to the Farm Loan Manager servicing the county where the borrower's principal residence on the farm is located. If the borrower's residence is not located on the farm or the borrower is an entity, the loan will be serviced in the county where the farm or major portion of the farm is located, unless otherwise approved by the State Office.

If not covered under the CMS, Gold Bank must follow the servicing requirements for CLP lenders found in 2-FLP Handbook.

All loan servicing actions on existing guaranteed loans will be based on the current CMS in effect, regardless if the loan was approved under a previous CMS revision.

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D PLP Designated Loan Officers

A complete list of current persons designated to be involved with the FSA Guaranteed Loan Program for Gold Bank, is provided in OK Notice FLP-413, as outlined in their CMS.

E CMS Interpretation

Contact the FLP Section at the State Office for any assistance and/or guidance in regards to the interpretation of Gold Bank's PLP Lender's Agreement/Credit Management System (CMS).



MAY 21 2003

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FSA Office

United States
Department of
Agriculture

Farm and Foreign
Agricultural
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Farm Service
Agency

1400 Independence
Ave, S.W.
Stop 0523
Washington, D.C.
20250-0523

Mr. Michael Bonnett
Senior Vice President
Gold Bank
Post Office Box 5068
510 Commerce
Enid, Oklahoma 73703

Dear Mr. Bonnett:

Enclosed is a copy of the revised Credit Management System (CMS) document. This is now the operating document in connection with your Form FSA 1980-38, "Lender's Agreement."

A number of adjustments were made to this revision to bring it up-to-date with the bank's current guaranteed loan making and servicing practices. The primary adjustment we agreed upon was inclusion of language specifying the manner that will be used for review and approval of loans proposed with interest assistance.

We appreciated the opportunity to work with you in completing this revision.

Sincerely,

/s/ Carolyn B. Cooksie

Carolyn B. Cooksie
Deputy Administrator for
Farm Loan Programs

Enclosure

CY: OK State Office
LSPMD/4-A File/5449-S LSPMD/WBayer/500-PB
File Code/PLP files

FSA/DAFLP/LSPMD\Walt Bayer\720-1360\wb\05-01-03\draft
FSA/DAFLP/LSPMD\Walt Bayer\720-1360\tay\05-13-03\final
Recall: s:\mdg\lb\PLP\CompletedApplications\Gold Bank - OK\CMS Revision
Transmittal Letter 050103.doc
Log# LSPMD 03-0814

Edited by Brenda McNeill 5/12/03

USDA is an Equal Opportunity Employer

Amended 9/25/02

**PREFERRED LENDER PROGRAM ATTACHMENT TO FORM FSA 1980-38,
"LENDER'S AGREEMENT"**

**Gold Bank
Enid, Oklahoma**

The following information summarizes the credit management system requirements agreed to by Gold Bank of Enid, Oklahoma (Lender) as provided in the Lender's April 1, 1999, request for preferred lender status and supplemental letters, with attachments and exhibits. Additional details are contained in the submitted attachments and exhibits. Requirements for loan administration, servicing and reporting activities not addressed in this attachment are governed by the attached form FSA-1980-38, "Lender's Agreement" and 7 CFR 762.

I. GENERAL OPERATIONS

A. Trade Area

The primary geographic area for loans originated by the Lender is all communities in which Gold Bank has a banking office and contiguous counties and areas, which are well known by bank management. Counties listed on the Lenders Agreement include all of Oklahoma, and selected counties in Kansas, Texas, New Mexico, Colorado, and Arkansas.

B. Lending Authority

Gold Bank has established a structure of lending authority that ensures a consistent quality of loan approval. This structure begins at the local loan officer level and requires additional review as the credit warrants. Each loan officer within Gold Bank is assigned a lending authority based on the total outstanding commitment to a borrower. These limits are set according to an officer's lending experience and knowledge of the area's agriculture. When the credit exceeds the loan officer's lending authority, it will be presented to the loan committee. When the committee's authority is exceeded, concurrence by a Gold Banc Corporation representative will be required.

Given the nature of the risk involved with guaranteed loans, all new guaranteed loans and annual reviews of existing guarantees, regardless of size, will be presented and reviewed for approval by the loan committee.

C. Loan Application

All loan applications to FSA will utilize the Gold Bank application and relationship credit memo that covers the 5 C's of credit. This memo will be reviewed by the loan committee. In addition, the 1980-28 will also be submitted for new guarantees. Annual review of guaranteed loans will also utilize the same credit memo format.

Supporting documentation for analysis of the credit will include:

1. Documented farm visit
2. Current balance sheet on all principals, major shareholders, and guarantors
3. Historical balance sheets on all principals, major shareholder, and guarantors for the past 3 years
4. Verification of income and expense history from past 3 years
5. Production history on crops and livestock obtained to determine projected production
6. Debt verifications for all debts over \$1,000 by credit reports or written verifications
7. Credit reports on all parties
8. Verification of employment

D. Use of Agents, Consultants and Packager

Gold Bank will not use a packager to originate new guarantees or perform the annual review analysis of existing guarantees. Gold Bank officers and personnel will complete the applications and also perform the annual review analysis of guaranteed loans.

E. Interest Rates

1. All loans are graded on five general areas, including operating statement, financial condition, management, industry (economic, business and political conditions) and collateral. The average score of these five categories becomes the loan grade. Grades range from one (excellent quality) to eight (charge off). The Lender will not submit a guarantee request to FSA for a loan graded seven or higher.
2. Rate is a function of risk and local market conditions. Higher grade loans will generally carry higher interest rates to offset loan risk. However, interest rates on FSA guaranteed loans will not exceed the Lender's average farm loan customer rate for like credits. In addition, the local market plays a strong role in setting the rate and will vary from Gold Bank to Gold Bank. As a general rule, livestock, equipment and operating loans will carry an interest rate from one to three percent over prime. Real estate loans will carry an interest rate from prime to prime plus two percent. Most loans are written on a variable rate of interest index with New York Prime rate being the most common index.

II. UNDERWRITING

The criteria described below are the minimum criteria mandatory for all loans. In all cases, if a proposal indicates a weakness in one or more credit measures, this weakness will be offset by strengths in other measures. In all cases, the loan narrative will describe the credit factors and provide justification for making a loan with a weakness, in one or more credit measures.

A. Financial Feasibility

Minimum of 100% term debt and capital lease coverage ratio will be required. Weaknesses in repayment capacity will be offset by strengths in other credit factors.

B. Capital Analysis

Minimum working capital ratio is 1: 1, a 10% working capital equity position is preferred. Loan collateral position minimum is 1: 1.

C. Security

Operating Loans.

- Growing crop advances should not exceed 100% of assigned and acknowledged crop insurance.
- Crop loans are to be secured by crops being grown with the farm and its equipment normally taken as secondary collateral.
- Livestock loans are to be secured by livestock being purchased. The farm real estate and its equipment may be taken as secondary collateral.
- Harvested crops should not exceed 100% of current or contracted value if "covered."
- Stocker cattle loans shall not exceed purchase price, or after weight gains are considered, 100% of current market value.
- Cow/Calf loans shall not exceed 100% of current market value.
- Weaned calves may be valued up to 100%.
- Values of registered or specialized livestock with weak or thin markets should be justified in the loan approval process.

Intermediate loans to purchase or refinance production assets

- Preferably, perfected first lien positions will be taken to support the loan.
- Second liens may be appropriate behind first liens, provided the bulk of the asset value is available.
- Cow/calf breeding stock loans should not exceed 100% of current market value.
- Machinery and equipment loans should not exceed 100% of purchase cost or appraised fair market value.

Real Estate loans to purchase or refinance farm land

- Loans should not exceed 100% of the appraised value or current arms length purchase price. Second liens should be supported by the bulk of the asset value after deducting the first lien.

Appraisals

- State Certified General appraisers will be used for all real estate security over \$250,000 and will normally be used for loans under \$250,000 if available in the area.
- Real estate appraisals shall not be older than 12 months.
- Chattel security will be appraised by an independent third party appraiser for all new loans and at the time of annual credit reviews. Loan officers may evaluate collateral during the year.
- All chattel appraisals should not be older than 90 days on current assets and 6 months on intermediate assets.

II ROUTINE LOAN SERVICING

A. Borrower Monitoring and Supervision

1. Annual borrower reviews: See General Operations. Also, see Lender's promissory note, loan agreement security agreement, and FSA Guaranteed Loan Agreement for financial information requested for analysis. Annual reviews will include the following:
 - Updated appraisals of livestock and equipment. (Semi-annual inspections for stocker cattle operations.)
 - A current balance sheet for borrower and any personal guarantors.
 - An analysis of current assets, crop condition, livestock conditions, prices and the likelihood of payment of operating credit and term debt obligations due in current cycle.
 - An income and expense statement. (IRS Form 1040, Schedule C or F, FSA Form 431-2, Farm and Home Plan, Farm Equity Manager report, customer's computerized records or similar form).
 - A comparison of projected to actual financial results and trends.
 - Cash flow projection for the upcoming year. For lines of credit, a feasible plan (See 7 CFR 762.102(b)) will be documented before the operation is financed for another year. Review capital purchase and consumer credit needs projected for next year.
 - Assessment of farm and farmstead condition.
2. Advances on lines of credit.
 - A loan advance and payment file will be maintained for each guaranteed line of credit.
 - Advances are requested in writing by the borrower on a "Loan Advance Request."
 - Advances and payments are tracked in the Lender's headquarters office on an automated spreadsheet and itemized based on projected expense categories. Spreadsheet is checked against projections for deviations. Livestock operation lines of credit are also tracked using livestock inventory control records and inspection reports.
 - Copies of advance and payment documents are maintained in an advance file in the market office as well as the customer file in Enid, Oklahoma.

3. Acquisition and lien priority of planned capital purchase or ownership of basic security will be verified by loan officer visit, Bill of Sale, vehicle title, deed, lien search or similar.
4. Use of Proceeds: Proceeds from the sale of security will be applied to the debt according to lien priority. The source of proceeds, including bushels, weights, and size will be verified with receipts in those cases where the borrowers records are not accurate. Source of payment funds will be documented on the loan payment ledger.
5. Reporting: Regular reports will be provided by Lender to FSA according to section 762.141(b) of 7 CFR part 762.

B. Additional Loans

1. No restrictions are placed on the Lender making unguaranteed loans to FSA guaranteed loan borrowers. If unguaranteed loans are made, the security and payment requirements of sections 762.126(c), 762.126(e)(2) and 762.140(d) of 7 CFR part 762 will be met.
2. The Lender may make emergency advances without written approval from FSA in accordance with section 762.146(a)(3) of 7 CFR part 762. The promissory note (see Exhibit 16) indicates that the unpaid balance will never exceed the principal amount; an emergency advance will require amendment of the note. Emergency advances will not require amendment of the security agreement as provided by section 111(2)(b) of the Security Agreement

C. Security Releases

1. Security is typically not released without consideration. Exceptions may be made when the security has little or no value as loan collateral.
2. When a borrower requests that security be released, supporting documentation will be retained in the Lender's loan file, including a balance sheet, an appraisal (if required for loan approval), calculation of the adequacy of the collateral remaining after the release, projected cash flow demonstrating continued repayment ability, written approval of release by the Senior Vice President in charge of FSA guaranteed lending, and amendments to collateral lists and changes to security instruments if required.

D. Subordinations

Guaranteed loan collateral positions will not be subordinated to secure another debt, except in accordance with the section 762.142(c) of 7 CFR part 762.

E. Interest Assistance

Approval, servicing and reporting requirements for loans with interest assistance will be in accordance with Form FSA 1980-64, "Interest Assistance Agreement," and section 762.150 of 7 CFR part 762. These provisions are not amended by this attachment. For the next 24 months all Interest Assistance (IA) requests, new and existing, will be reviewed and approved by FSA. Cash flow projections and actual income and expense histories will be provided with each IA request. This information will be provided to the FSA loan approval official who will advise if the the subsidy may be granted.

F. Loan Consolidations

1. The consolidation of two or more FSA guaranteed loans may be carried out in accordance with the requirements of section 762.146(e) of 7 CFR part 762.
2. Lender will notify FSA that a consolidation has been processed and provide an explanation of the action and a copy of the consolidated note.
3. FSA will provide an executed Form FSA-1980-84, "Modification of Guarantee," indicating the new principal and guaranteed amount, and will forward it to the Lender for attachment to the original guarantees that were consolidated for maintenance in the Lender's customer file.

G. Sale or Participation of Loan

The provisions of sections 762.144 and 762.160 of 7 CFR part 762, Form FSA-1980-38, "Lender's Agreement," and Form FSA-1980-36, "Assignment of Guarantee," will govern sales and participation of loans. These provisions are not amended by this attachment. Form FSA- 1980-36, agreements with holders, and other documents relating to sale of an FSA Guaranteed loan will be maintained in the borrower file.

IV DELINQUENT ACCOUNT SERVICING

A. Initiation

1. Responsible Loan Officer receives a report when loan becomes past due.
2. 30 days to 45 days past due: Written borrower default notification and request for payment. Meeting held with loan officer and borrower. Balance sheet, collateral evaluation report, projected cash flow and servicing plan are prepared unless a short term extension in the payment date is granted. Meeting summary and action taken will be documented in the customer file to resolve delinquency.

B. Restructure

1. If the cash flow prepared at the annual analysis projects less than a feasible plan (1.00 Term Debt and Capital Lease Coverage Ratio), the Lender will consider servicing options to improve the customer's situation before default occurs.
2. Borrower must be able to show adequate repayment on the restructured debt.
3. Loans will not be restructured with a balloon payment. Customers with documented short term cash flow deficiencies may have loans restructured with uneven payments.
4. Lines of credit rescheduled for up to 7 years, not to exceed 10 years from note origination. Advances will cease on rescheduled lines of credit.
5. Intermediate term notes rescheduled for not more than 15 years.
6. Real estate secured notes rescheduled for 25 years or less, up to 40 years from the original date of note.
7. The loan committee must approve capitalization of interest.

8. Projection for next year will be a feasible plan including rescheduled loan payments.
9. New note or allonge, Form FSA-1980-84, "Modification of Guarantee," copy of Form RD-1980-47, "Guaranteed Loan Borrower Adjustments," copy of correspondence providing FSA a copy of note, and other documents as appropriate.

B. Deferral

Deferral will only be considered when it is in the best interest of the Lender and it has been determined that there is a good chance for the borrower to work through the period of cash flow shortage. The loan committee will approve all deferrals.

D. Writedown

Debt writedown outside of bankruptcy will be completed according to section 762.145(e) of 7 CFR part 762 and approved by FSA.

E. Reporting

See sections 762.141(a) and (b) of 7 CFR part 762. No additional reports are required of the Lender on all loans; however, additional reports may be required by FSA for specific loans. Loan specific FSA reporting requirements may be provided by the Agency on Form FSA-1980-15, "Conditional Commitment" when agreed to by the Lender.

F. Bankruptcy

See section 762.148 of 7 CFR part 762 for Lender requirements on bankrupt accounts.

V. LIQUIDATION

- All real estate liquidation action will be supported by a current appraisal.
- Acceleration of an account is automatic at the Lender's option upon missed payment, or non-monetary default (insurance lapse, security depletion, etc.) according to the terms of the promissory note.
- Past due accounts are charged \$10 per day or 6 percent per annum default charges, plus 15 percent of debt amount for legal fees. Charges may be waived if account is restructured. Default charges will not be included in a request for payment from FSA under the guarantee or indicated on a ledger provided as support for the claim.
- When loans are 90 days past due, (earlier if non-monetary default, no prospect for repayment or the borrower is uncooperative) the borrower will be notified that loan is due in full and the Lender intends to remedy default by legal action (acceleration). At this point, unless an extension has been granted, the loan is restructured or referred to legal counsel for acceleration and collection action.
- Mediation: Mediation is not applicable to the Lender in Texas, Kansas, or Colorado. Borrowers in Oklahoma and Arkansas may request to mediate the defaulted debt through the Oklahoma farmer creditor mediation program. If a borrower requests mediation in Oklahoma and Arkansas the Lender will

attend and participate in mediation meetings in good faith. Forced liquidation actions may be postponed for 30 days when mediation is pending if security is not deteriorating.

- The loan officer in charge of the credit will prepare a plan of action for the liquidation, monitor liquidation and assist in providing reports to FSA.
- Moderate protective advances not to exceed \$10,000 without FSA concurrence may be made to protect the value of the collateral.
- Reporting and approval requirements: See sections 762.141(a) and 762.149(d) of 7 CFR part 762.
- Release from liability: The Lender will release or agree to release the borrower from liability only with FSA written concurrence after payment of a final loss according to section 762.146(c) of 7 CFR part 762. Releases will only be recommended by the Lender with the concurrence by the Senior Vice President in charge of FSA guaranteed lending. See PLP Credit Management System section III.D. 1.b. Release of liability after liquidation may not be part of a liquidation plan unless approved by FSA.
- Acquisition of real estate security: The responsible Loan Officer or workout officer will review the collateral for possible environmental liability. If environmental problems are found, the Lender's decision on acceptance of a deed in lieu of foreclosure or assessment of protective bids to be made at foreclosure will be made by the market president or Senior Vice President in charge of FSA guaranteed leading in consultation with the Lender's special assets division.
- Final Loss Claims will be prepared submitted, reviewed and approved according to section 762.149(i) of 7 CFR part 762.

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